

MANNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Manning Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Kimberly Fara	President	2008
Scott Hodne	Board Member	2007
John Opperman	Board Member	2008
Larry Lesle	Board Member	2009
Brian Irlbeck	Board Member	2009

Board of Education (After September 2007 Election)		
Scott Hodne	President	2010
Kimberly Fara	Board Member	2008
John Opperman	Board Member	2008
Larry Lesle	Board Member	2009
Brian Irlbeck	Board Member	2009

School Officials		
Roger Schmiedeskamp	Superintendent	2008
Dottie Schiltz	District Secretary/Treasurer	2008
Ahlers & Cooney, P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Manning Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Manning Community School District, Manning, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Manning Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

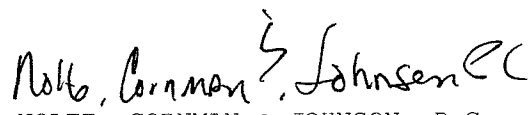
In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2009 on our consideration of the Manning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,264,199 in fiscal 2007 to \$3,966,630 in fiscal 2008, while General Fund expenditures increased from \$4,068,246 in fiscal 2007 to \$4,349,398 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$839,796 in fiscal 2007 to \$457,028 in fiscal 2008, a 45.58% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local sources in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Manning Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Manning Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Manning Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Manning Community School District Annual Financial Report

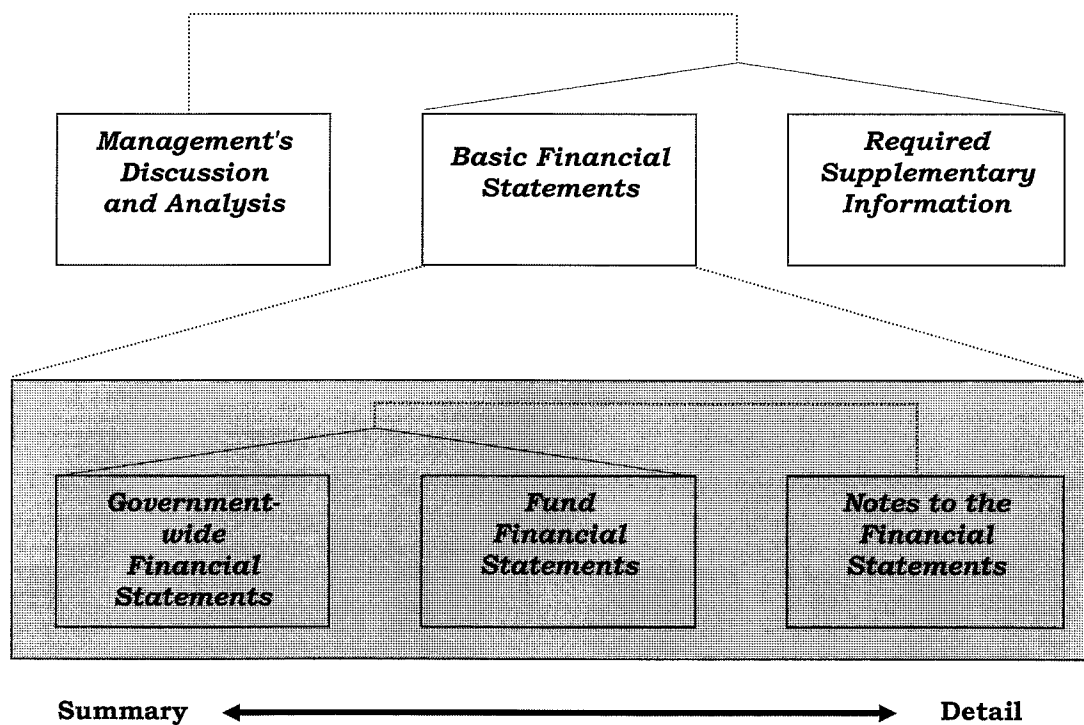


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 5,162,577	4,323,149	5,498	9,206	5,168,075	4,332,355	19.29%
Capital assets	1,892,201	1,853,245	62,706	60,637	1,954,907	1,913,882	2.14%
Total assets	7,054,778	6,176,394	68,204	69,843	7,122,982	6,246,237	14.04%
Long-term obligations	1,069,620	124,853	0	0	1,069,620	124,853	756.70%
Other liabilities	3,207,504	2,972,258	13,077	4,644	3,220,581	2,976,902	8.19%
Total liabilities	4,277,124	3,097,111	13,077	4,644	4,290,201	3,101,755	38.32%
Net assets:							
Invested in capital assets, net of related debt	822,581	1,728,392	62,706	60,637	885,287	1,789,029	-50.52%
Restricted	1,394,724	442,793	0	0	1,394,724	442,793	214.98%
Unrestricted	560,349	908,098	(7,579)	4,562	552,770	912,660	-39.43%
Total net assets	\$ 2,777,654	3,079,283	55,127	65,199	2,832,781	3,144,482	-9.91%

The District's combined net assets decreased by 9.91%, or \$311,701, over the prior year. The District has net assets invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$951,931, or 214.98% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$359,890, or 39.43%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 439,408	699,660	126,237	127,391	565,645	827,051	-31.61%
Operating grants and contributions and restricted interest	611,526	508,941	82,299	83,950	693,825	592,891	17.02%
General revenues:							
Local tax	1,324,514	1,315,460	0	0	1,324,514	1,315,460	0.69%
Local option sales and service tax	231,855	289,662	0	0	231,855	289,662	-19.96%
Unrestricted state grants	1,746,687	1,876,740	0	0	1,746,687	1,876,740	-6.93%
Other	129,332	288,819	111	159	129,443	288,978	-55.21%
Transfers	(12,439)	(93,431)	12,439	0	0	(93,431)	103.48%
Total revenues and transfers	4,470,883	4,885,851	221,086	211,500	4,691,969	5,097,351	-7.95%
Program expenses:							
Governmental activities:							
Instruction	2,962,027	2,760,950	0	0	2,962,027	2,760,950	7.28%
Support services	1,525,730	1,459,360	0	0	1,525,730	1,459,360	4.55%
Non-instructional programs	272	5,684	231,158	209,487	231,430	215,171	7.56%
Other expenses	284,483	336,930	0	0	284,483	336,930	-15.57%
Total expenses	4,772,512	4,562,924	231,158	209,487	5,003,670	4,772,411	4.85%
Change in net assets	(301,629)	322,927	(10,072)	2,013	(311,701)	324,940	-195.93%
Net assets beginning of year	3,079,283	2,756,356	65,199	63,186	3,144,482	2,819,542	11.52%
Net assets end of year	\$ 2,777,654	3,079,283	55,127	65,199	2,832,781	3,144,482	-9.91%

In fiscal 2008, local tax and unrestricted state grants account for 68.69% of the revenue from governmental activities while charges for services and operating grants and contributions account for 94.32% of the revenue from business type activities.

The District's total revenues were approximately \$4.7 million of which \$4.5 million was for governmental activities and \$.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 7.95% in revenues and a 4.85% increase in expenses. The increase in expenses was related to the increase in the negotiated salaries and benefits during the year.

Governmental Activities

Revenues for governmental activities were \$4,470,883 and expenses were \$4,772,512. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,962,027	2,760,950	7.28%	2,052,291	1,690,290	21.42%
Support services	1,525,730	1,459,360	4.55%	1,525,005	1,459,360	4.50%
Non-instructional	272	5,684	-95.21%	272	5,684	-95.21%
Other expenses	284,483	336,930	-15.57%	144,010	198,989	-27.63%
Totals	<u>\$ 4,772,512</u>	<u>4,562,924</u>	<u>4.59%</u>	<u>3,721,578</u>	<u>3,354,323</u>	<u>10.95%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$439,408.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$611,526.
- The net cost of governmental activities was financed with \$1,324,514 in local tax, \$231,855 in local option sales and services tax, \$1,746,687 in unrestricted state grants and \$92,164 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$221,086 and expenses were \$231,158. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Manning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,815,999, above last year's ending fund balances of a \$1,231,254. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to the issuance of revenue bonds.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Decreases in local sources during the year resulted in a decrease in revenues. The increase in expenditures was primarily due to the increase in the negotiated salaries and benefits.
- The Capital Projects Fund balance increased from \$204,856 in 2007 to a balance of \$1,221,525 in 2008. The increase in the fund balance is due primarily to the issuance of revenue bonds for a playground project.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$65,199 at June 30, 2007 to \$55,127 at June 30, 2008, representing a decrease of 15.45%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$446,668 less than budgeted revenues, a variance of 8.72%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,954,507, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.14% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$156,798.

The original cost of the District's capital assets was \$5,550,826. Governmental funds account for \$5,427,330 with the remainder of \$123,496 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$243,258 at June 30, 2008, compared to \$206,834 reported at June 30, 2007.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 23,100	23,100	0	0	23,100	23,100	0.00%
Buildings	1,443,458	1,425,131	0	0	1,443,458	1,425,131	1.29%
Land improvements	245,091	258,817	0	0	245,091	258,817	-5.30%
Machinery and equipment	180,552	146,197	62,706	60,637	243,258	206,834	17.61%
Total	\$ 1,892,201	1,853,245	62,706	60,637	1,954,907	1,913,882	2.14%

Long-Term Debt

At June 30, 2008, the District had \$1,069,620 in long-term debt outstanding. This represents an increase of 756.70% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had an outstanding HVAC loan payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$33,436 at June 30, 2008.

The District had outstanding revenue bonds payable from the Capital Projects Fund of \$1,036,184 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
HVAC loan	\$ 33,436	98,373	-66.01%
Revenue bonds	1,036,184	26,480	3813.08%
Totals	<u>\$ 1,069,620</u>	<u>124,853</u>	<u>756.70%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The 4% across the board state increase in allowable growth for next year will not be enough to increase new monies, in fact the District will have a decrease due to declining enrollment. This will not be enough to offset a negotiating request of 8-10% increase in salaries.
- The SILO increase allows for increased expenditures that include Energy Savings Group, Heating and Cooling, and other Electrical Control Facility Upgrades. Other proposed projects include ongoing carpet replacement, new bus purchase every other year, a new automobile purchase in the next couple of years, a paving project, expansion of the bus barn, and air conditioning for the cafeteria and kitchen area.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dottie Schiltz, Board Secretary, Manning Community School District, 209 Tenth Street, Manning, Iowa, 51455.

BASIC FINANCIAL STATEMENTS

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 1,366,603	0	1,366,603
Other	2,183,531	1,865	2,185,396
Receivables:			
Property tax:			
Delinquent	17,555	0	17,555
Succeeding year	1,295,687	0	1,295,687
Income surtax	139,736	0	139,736
Accounts	12,264	4	12,268
Accrued ISCAP interest(Note 5)	7,833	0	7,833
Due from other governments	139,368	0	139,368
Inventories	0	3,629	3,629
Capital assets, net of accumulated depreciation(Note 6)	1,892,201	62,706	1,954,907
Total Assets	7,054,778	68,204	7,122,982
Liabilities			
Accounts payable	112,382	17	112,399
Salaries and benefits payable	415,683	8,711	424,394
ISCAP warrants payable(Note 5)	1,358,000	0	1,358,000
ISCAP accrued interest payable(Note 5)	7,686	0	7,686
ISCAP unamortized premium	17,404	0	17,404
Accrued interest payable	662	0	662
Deferred revenue:			
Succeeding year property tax	1,295,687	0	1,295,687
Unearned revenue	0	4,349	4,349
Long-term liabilities (Note 7):			
Portion due within one year:			
HVAC loan	33,436	0	33,436
Revenue bonds	5,296	0	5,296
Portion due after one year:			
Revenue bonds	1,030,888	0	1,030,888
Total Liabilities	4,277,124	13,077	4,290,201
Net Assets			
Invested in capital assets, net of related debt	822,581	62,706	885,287
Restricted for:			
Beginning teacher mentoring	333	0	333
Market factor	2,089	0	2,089
Market factor incentives	3,427	0	3,427
Salary improvement program	251	0	251
Professional development	3,129	0	3,129
Beginning administrator mentoring	1,500	0	1,500
Talented and Gifted	4,229	0	4,229
Early Intervention	2,286	0	2,286
Capital projects	1,221,525	0	1,221,525
Management levy	64,457	0	64,457
Other special revenue purposes	91,498	0	91,498
Unrestricted	560,349	(7,579)	552,770
Total Net Assets	\$ 2,777,654	55,127	2,832,781

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,071,985	262,864	433,035	(1,376,086)	0	(1,376,086)
Special instruction	440,577	55,602	24,298	(360,677)	0	(360,677)
Other instruction	449,465	120,942	12,995	(315,528)	0	(315,528)
	<u>2,962,027</u>	<u>439,408</u>	<u>470,328</u>	<u>(2,052,291)</u>	<u>0</u>	<u>(2,052,291)</u>
Support services:						
Student services	139,633	0	0	(139,633)	0	(139,633)
Instructional staff services	216,224	0	0	(216,224)	0	(216,224)
Administration services	534,833	0	0	(534,833)	0	(534,833)
Operation and maintenance of plant services	431,515	0	0	(431,515)	0	(431,515)
Transportation services	203,525	0	725	(202,800)	0	(202,800)
	<u>1,525,730</u>	<u>0</u>	<u>725</u>	<u>(1,525,005)</u>	<u>0</u>	<u>(1,525,005)</u>
Non-instructional programs	<u>272</u>	<u>0</u>	<u>0</u>	<u>(272)</u>		<u>(272)</u>
Other expenditures:						
Facilities acquisitions	50,379	0	0	(50,379)	0	(50,379)
AEA flowthrough	140,473	0	140,473	0	0	0
Depreciation(unallocated)*	93,631	0	0	(93,631)	0	(93,631)
	<u>284,483</u>	<u>0</u>	<u>140,473</u>	<u>(144,010)</u>	<u>0</u>	<u>(144,010)</u>
Total governmental activities	4,772,512	439,408	611,526	(3,721,578)	0	(3,721,578)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	231,158	126,237	82,299	0	(22,622)	(22,622)
Total business-type activities	<u>231,158</u>	<u>126,237</u>	<u>82,299</u>	<u>0</u>	<u>(22,622)</u>	<u>(22,622)</u>
Total	<u>\$ 5,003,670</u>	<u>565,645</u>	<u>693,825</u>	<u>(3,721,578)</u>	<u>(22,622)</u>	<u>(3,744,200)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,159,628	0	1,159,628
Income surtax				142,526	0	142,526
Capital outlay				22,360	0	22,360
Local option sales and services				231,855	0	231,855
Unrestricted state grants				1,746,687	0	1,746,687
Unrestricted investment earnings				92,164	111	92,275
Other				37,168	0	37,168
Transfers				<u>(12,439)</u>	<u>12,439</u>	<u>0</u>
Total general revenues and transfers				<u>3,419,949</u>	<u>12,550</u>	<u>3,432,499</u>
Changes in net assets				(301,629)	(10,072)	(311,701)
Net assets beginning of year				<u>3,079,283</u>	<u>65,199</u>	<u>3,144,482</u>
Net assets end of year				<u>\$ 2,777,654</u>	<u>55,127</u>	<u>2,832,781</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

Exhibit C

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 1,366,603	0	0	1,366,603
Other	832,207	1,171,677	179,647	2,183,531
Receivables:				
Property tax:				
Delinquent	16,479	0	1,076	17,555
Succeeding year	1,159,101	0	136,586	1,295,687
Income surtax	93,157	0	46,579	139,736
Interfund	46,733	0	0	46,733
Accounts	5,041	0	7,223	12,264
Accrued ISCAP interest(Note 5)	7,833	0	0	7,833
Due from other governments	89,520	49,848	0	139,368
Total Assets	\$ 3,616,674	1,221,525	371,111	5,209,310
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 0	0	46,733	46,733
Accounts payable	108,615	0	3,767	112,382
Salaries and benefits payable	415,683	0	0	415,683
ISCAP warrants payable(Note 5)	1,358,000	0	0	1,358,000
ISCAP accrued interest payable(Note 5)	7,686	0	0	7,686
ISCAP unamortized premium	17,404	0	0	17,404
Deferred revenue:		0		
Succeeding year property tax	1,159,101	0	136,586	1,295,687
Income surtax	93,157	0	46,579	139,736
Total liabilities	3,159,646	0	233,665	3,393,311
Fund balances:				
Reserved for:				
Beginning teacher mentoring	333	0	0	333
Market factor	2,089	0	0	2,089
Market factor incentives	3,427	0	0	3,427
Salary improvement program	251	0	0	251
Professional development	3,129	0	0	3,129
Beginning administrator mentoring	1,500	0	0	1,500
Talented and gifted	4,229	0	0	4,229
Early intervention	2,286	0	0	2,286
Unreserved	439,784	1,221,525	137,446	1,798,755
Total fund balances	457,028	1,221,525	137,446	1,815,999
Total Liabilities and Fund Balances	\$ 3,616,674	1,221,525	371,111	5,209,310

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,815,999
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,892,201
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	139,736
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(662)
Long-term liabilities, including the HVAC loan and revenue bonds, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,069,620)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 2,777,654</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,188,948	231,855	119,987	1,540,790
Tuition	305,483	0	0	305,483
Other	133,775	2,984	146,258	283,017
State sources	2,171,367	0	54	2,171,421
Federal sources	167,032	0	0	167,032
Total revenues	3,966,605	234,839	266,299	4,467,743
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,071,313	0	15	2,071,328
Special instruction	440,577	0	0	440,577
Other instruction	309,975	0	139,550	449,525
	2,821,865	0	139,565	2,961,430
Support services:				
Student services	139,633	0	0	139,633
Instructional staff services	144,955	65,436	0	210,391
Administration services	550,266	0	0	550,266
Operation and maintenance of plant services	375,326	0	53,939	429,265
Transportation services	167,399	0	6,885	174,284
	1,377,579	65,436	60,824	1,503,839
Non-instructional:				
Other enterprise operations	272	0	0	272
Other expenditures:				
Facilities acquisitions	0	192,794	16,514	209,308
Long-term debt:				
Principal	0	0	70,233	70,233
Interest	0	0	3,259	3,259
AEA flowthrough	140,473	0	0	140,473
	140,473	192,794	90,006	423,273
Total expenditures	4,340,189	258,230	290,395	4,888,814
Deficiency of revenues under expenditures	(373,584)	(23,391)	(24,096)	(421,071)
Other financing sources(uses):				
Transfers in	25	30,356	73,492	103,873
Transfers out	(9,209)	(5,296)	(98,552)	(113,057)
Issuance of bonds	0	1,015,000	0	1,015,000
Total other financing sources(uses)	(9,184)	1,040,060	(25,060)	1,005,816
Net change in fund balance	(382,768)	1,016,669	(49,156)	584,745
Fund balance beginning of year	839,796	204,856	186,602	1,231,254
Fund balance end of year	\$ 457,028	1,221,525	137,446	1,815,999

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 584,745

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of current depreciation, loss on disposal of assets, and capital outlay expenditures are as follows:

Capital outlays	\$ 207,029	
Loss on Disposal of Assets	(19,302)	
Depreciation expense	<u>(148,771)</u>	38,956

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 15,579

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ (1,015,000)	
Repaid	<u>70,233</u>	<u>(944,767)</u>

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,858

Changes in net assets of governmental activities (page 14) \$ (301,629)

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 1,865
Accounts receivable	4
Inventories	3,629
Capital assets, net of accumulated depreciation(Note 6)	<u>62,706</u>
Total Assets	<u>68,204</u>
Liabilities	
Accounts payable	17
Salaries and benefits payable	8,711
Unearned revenue	<u>4,349</u>
Total Liabilities	<u>13,077</u>
Net Assets	
Invested in capital assets	62,706
Unrestricted	<u>(7,579)</u>
Total Net Assets	<u>\$ 55,127</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	<u>\$ 126,237</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	91,304
Benefits	28,485
Services	620
Supplies	102,221
Depreciation	8,027
Other	501
Total operating expenses	<u>231,158</u>
Operating loss	<u>(104,921)</u>
Non-operating revenues:	
State sources	2,864
Federal sources	79,435
Interest income	111
Total non-operating revenues	<u>82,410</u>
Change in net assets before other financing sources	(22,511)
Other financing sources(uses):	
Transfer in	9,209
Transfer out	(25)
Capital contributions	3,255
Total other financing sources(uses)	<u>12,439</u>
Change in net assets	(10,072)
Net assets beginning of year	<u>65,199</u>
Net assets end of year	<u><u>\$ 55,127</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 126,424
Cash received from miscellaneous operating activities	813
Cash payments to employees for services	(112,196)
Cash payments to suppliers for goods or services	(85,296)
Net cash used in operating activities	<u>(70,255)</u>
Cash flows from non-capital financing activities:	
State grants received	2,864
Federal grants received	61,530
Net cash provided by non-capital financing activities	<u>64,394</u>
Cash flows from capital and related financing activities:	
Transfer in	9,209
Transfer out	(25)
Acquisition of capital assets	(6,841)
Net cash provided by capital and related financing activities	<u>2,343</u>
Cash flows from investing activities:	
Interest on investments	<u>111</u>
Net decrease in cash and cash equivalents	(3,407)
Cash and cash equivalents at beginning of year	<u>5,272</u>
Cash and cash equivalents at end of year	<u>\$ 1,865</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (104,921)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,905
Depreciation	8,027
Decrease in inventories	217
Decrease in accounts receivable	84
Decrease in accounts payable	(76)
Increase in salaries and benefits payable	7,593
Increase in unearned revenue	916
Net cash used in operating activities	<u>\$ (70,255)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 1,865</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$17,905.

During the year ended June 30, 2008, the District received capital contributions of \$3,255 from the Special Revenue-Physical, Plant and Equipment Levy

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

		<u>Private Purpose</u>
		<u>Trust</u>
		<u>Scholarship</u>
Assets		
Cash and pooled investments	\$	<u>183,515</u>
Net Assets		
Restricted for scholarships	\$	<u>183,515</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 4,401
Contributions	84,006
Total additions	88,407
Deductions:	
Scholarships	1,000
Change in net assets	87,407
Net assets beginning of year	96,108
Net assets end of year	\$ 183,515

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Manning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Manning, Iowa, and the predominate agricultural territory in Crawford, Shelby, Audubon, and Carroll Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Manning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Manning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Crawford, Shelby, Audubon, and Carroll Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,170,996</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investments Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 68,196
Debt Service	Capital Projects	5,296
Nutrition	General	9,209
General	Nutrition	25
Capital Projects	Special Revenue, Physical Plant and Equipment Levy	30,356
		<u>\$ 113,082</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue, Physical Plant and Equipment Levy	<u>\$ 46,733</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued		Accrued
				Interest Receivable	Warrants Payable	Interest Payable
2007-08B	1/23/08	1/23/09	\$ 500,602	7,505	499,000	7,433
2008-09A	6/26/08	6/25/09	866,001	328	859,000	253
			<u>\$ 1,366,603</u>	<u>7,833</u>	<u>1,358,000</u>	<u>7,686</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows.

Series	Balance		Advances Received	Advances Repaid	Balance End of Year
	Beginning of Year				
2007-08A	\$ 0	200,000	200,000		0

The warrants bear an interest rate and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,100	0	0	23,100
Total capital assets not being depreciated	23,100	0	0	23,100
Capital assets being depreciated:				
Buildings	3,890,035	98,090	0	3,988,125
Land improvements	399,852	0	0	399,852
Machinery and equipment	945,330	108,939	38,016	1,016,253
Total capital assets being depreciated	5,235,217	207,029	38,016	5,404,230
Less accumulated depreciation for:				
Buildings	2,464,904	79,763	0	2,544,667
Land improvements	141,035	13,726	0	154,761
Machinery and equipment	799,133	55,282	18,714	835,701
Total accumulated depreciation	3,405,072	148,771	18,714	3,535,129
Total capital assets being depreciated, net	1,830,145	58,258	19,302	1,869,101
Governmental activities capital assets, net	\$ 1,853,245	58,258	19,302	1,892,201
Business-type activities:				
Machinery and equipment	\$ 113,400	10,096	0	123,496
Less accumulated depreciation	52,763	8,027	0	60,790
Business-type activities capital assets, net	\$ 60,637	2,069	0	62,706

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 657
Other	4,895

Support services:

Instructional Staff	5,833
Administration	4,759
Operation and maintenance of plant	9,755
Transportation	29,241

55,140

Unallocated depreciation	93,631
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Total governmental activities depreciation expense	\$ 148,771
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Business-type activities:

Food services	\$ 8,027
---------------	----------

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
HVAC loan	\$ 98,373	0	64,937	33,436	33,436
Revenue bonds	26,480	1,015,000	5,296	1,036,184	5,296
Total	\$ 124,853	1,015,000	70,233	1,069,620	38,732

Heating, Ventilation and Air Conditioning Project (HVAC)

During the year ended June 30, 2005, the District entered into a loan agreement for \$250,000 to pay for costs related to the HVAC project. Details of the District's June 30, 2008 HVAC indebtedness paid from the Special Revenue, Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	HVAC Loan Dated July 6, 2004				
	Interest Rates	Principal	Interest	Total	
2009	3.96 %	\$ 33,436	662	34,098	

Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bond indebtedness, which is paid from local option sales and service tax revenues, are as follows:

Year Ending June 30,	Bond issue dated June 20, 2006 Principal	Revenue Bond Issued June 26, 2008			
		Interest Rates	Principal	Interest	Total
2009	\$ 5,296	2.80	% \$ -	17,580	22,876
2010	5,296	2.80	120,000	32,530	157,826
2011	5,296	3.00	125,000	28,975	159,271
2012	5,296	3.20	125,000	25,100	155,396
2013	-	3.30	135,000	20,873	155,873
2014-17	-	3.45-3.90	510,000	35,812	545,812
Total	\$ 21,184		\$ 1,015,000	160,870	1,197,054

The District has pledged future local option sales and services tax revenues to repay the \$26,480 bonds issued in June 2006 of which the District is responsible for the principal only and an outside party pays the interest. The District has also pledged future local option sales and services tax revenues to repay the \$1,015,000 bonds issued in June 2008. The bonds were issued for a playground project and infrastructure project respectively. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,197,054. For the current year, \$5,296 in principal was paid on the bonds and total local option sales and services tax revenues were \$231,855.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$175,352, \$157,173, and \$150,893, respectively, equal to the required contributions for each year.

(9) Risk Management

Manning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance.

The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$140,473 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Unrestricted Net Assets/Fund Balance

The District has a deficit unrestricted net assets in the Nutrition Fund of \$7,579. The District had a deficit unreserved fund balance of \$18,509 in the Special Revenue, Physical Plant and Equipment Levy Fund.

REQUIRED SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,129,290	126,348	2,255,638	2,605,484	2,605,484	(349,846)
State sources	2,171,421	2,864	2,174,285	2,272,074	2,272,074	(97,789)
Federal sources	167,032	79,435	246,467	245,500	245,500	967
Total revenues	4,467,743	208,647	4,676,390	5,123,058	5,123,058	(446,668)
Expenditures:						
Instruction	2,961,430	0	2,961,430	3,543,644	3,543,644	582,214
Support services	1,503,839	0	1,503,839	1,558,000	1,558,000	54,161
Non-instructional programs	272	231,158	231,430	262,385	262,385	30,955
Other expenditures	423,273	0	423,273	478,854	478,854	55,581
Total expenditures	4,888,814	231,158	5,119,972	5,842,883	5,842,883	722,911
Deficiency of revenues under expenditures	(421,071)	(22,511)	(443,582)	(719,825)	(719,825)	276,243
Other financing sources, net	1,005,816	12,439	1,018,255	0	0	1,018,255
Excess(deficiency) of revenues over(under) expenditures and other financing sources	584,745	(10,072)	574,673	(719,825)	(719,825)	1,294,498
Balance beginning of year	1,231,254	65,199	1,296,453	899,490	899,490	396,963
Balance end of year	\$ 1,815,999	55,127	1,871,126	179,665	179,665	1,691,461

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
Assets				
Cash and pooled investments	\$ 64,219	86,040	29,388	179,647
Receivables:				
Property tax:				
Current year delinquent	751	0	325	1,076
Succeeding year	60,000	0	76,586	136,586
Income surtax	0	0	46,579	46,579
Accounts	0	7,223	0	7,223
Total Assets	\$ 124,970	93,263	152,878	371,111
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 0	0	46,733	46,733
Accounts payable	513	1,765	1,489	3,767
Deferred revenue:				
Succeeding year property tax	60,000	0	76,586	136,586
Income surtax	0	0	46,579	46,579
Total Liabilities	60,513	1,765	171,387	233,665
Fund balances:				
Unreserved	64,457	91,498	(18,509)	137,446
Total fund balances	64,457	91,498	(18,509)	137,446
Total Liabilities and Fund Balances	\$ 124,970	93,263	152,878	371,111

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Physical				Other	
	Manage-	Student	Plant and	Total	Debt	Nonmajor
	ment	Activity	Equipment	Special	Service	Governmental
	Levy		Levy	Revenue		Funds
REVENUES:						
Local sources:						
Local tax	\$ 49,862	0	70,125	119,987	0	119,987
Other	8,463	137,635	160	146,258	0	146,258
State sources	38	0	16	54	0	54
TOTAL REVENUES	58,363	137,635	70,301	266,299	0	266,299
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	0	0	15	15	0	15
Other instruction	0	139,550	0	139,550	0	139,550
Support services:						
Operation and maintenance						
of plant services	53,703	0	236	53,939	0	53,939
Student transportation	6,885	0	0	6,885	0	6,885
Other expenditures:						
Facilities acquisitions	0	0	16,514	16,514	0	16,514
Long-term debt:						
Principal	0	0	0	0	70,233	70,233
Interest	0	0	0	0	3,259	3,259
TOTAL EXPENDITURES	60,588	139,550	16,765	216,903	73,492	290,395
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	(2,225)	(1,915)	53,536	49,396	(73,492)	(24,096)
OTHER FINANCING SOURCES (USES):						
Transfers in	0	0	0	0	73,492	73,492
Transfers out	0	0	(98,552)	(98,552)	0	(98,552)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(98,552)	(98,552)	73,492	(25,060)
NET CHANGE IN FUND BALANCE	(2,225)	(1,915)	(45,016)	(49,156)	0	(49,156)
FUND BALANCE BEGINNING OF YEAR	66,682	93,413	26,507	186,602	0	186,602
FUND BALANCE END OF YEAR	\$ 64,457	91,498	(18,509)	137,446	0	137,446

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Unreserved	0	89	0	(89)	0
Drama	0	0	0	1,000	1,000
Unreserved Vocal Music	0	0	0	1,000	1,000
Unreserved Instrumental Music	0	0	0	1,000	1,000
Boys Athletics	0	0	0	4,000	4,000
Girls Athletics	2,000	0	0	1,000	3,000
Activity Tickets	15,000	0	0	0	15,000
Unreserved Spanish Club	0	0	0	1,000	1,000
Unreserved Book Club	0	0	0	3,000	3,000
Unreserved Class of 2009	0	0	0	4,000	4,000
Unreserved Class of 2010	0	0	0	1,000	1,000
FFA	9,000	0	0	7,000	16,000
Unreserved Pop Machine	0	0	0	4,000	4,000
Student Council	2,127	0	0	3,873	6,000
Unreserved Yearbook	0	0	0	5,000	5,000
HS Drama	1,059	1,901	1,941	(977)	42
HS Vocal Music	7,350	580	4,300	(898)	2,732
HS Instrumental Music	3,226	2,893	4,918	(955)	246
Athletic Ticket	102	2,783	0	(2,885)	0
Cross Country	0	0	480	480	0
HS Boys Athletic	10,103	23,143	33,299	(4,474)	(4,527)
Football	0	0	52	52	0
HS Girls Athletics	2,585	16,423	17,498	3,042	4,552
HS Activity Tickets	2,455	13,286	9,783	147	6,105
HS Spanish Club	106	2,406	1,335	(977)	200
HS Book Club	3,474	1,467	1,754	(2,966)	221
HS Business Club	223	1,690	926	23	1,010
Class of 2009	1,450	12,597	10,558	(2,728)	761
Class of 2010	81	269	184	(32)	134
Class of 2011	1,332	48	80	(1,230)	70
Class of 2012	3,242	666	2,966	(908)	34
Elementary 3rd Grade	14	0	0	0	14
Res For Activity	714	0	213	17	518
Kindergarten fundraiser	249	821	289	17	798
HS FFA	6,675	25,018	20,375	(8,864)	2,454
Checking Account Interest	133	1,063	0	(1,196)	0
HS National Honor Society	0	12	6	6	12
HS Pep Club	838	803	743	345	1,243
HS Pop Machine	4,180	3,503	2,738	(3,887)	1,058
HS Other Student Act	60	1,396	1,405	(51)	0
Sp Ed Class Project Concession Stand	(9,013)	0	568	10,787	1,206
HS Student Council	16,340	9,264	6,654	(13,508)	5,442
HS Yearbook	7,971	15,514	16,485	(5,164)	1,836
Elementary Fundraisers	337	0	0	0	337
Total	\$ 93,413	137,635	139,550	0	91,498

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,540,790	1,563,737	1,314,423	1,239,312	1,196,615
Tuition	305,483	531,387	379,173	327,854	265,955
Other	283,017	457,092	277,432	197,549	220,970
State sources	2,171,421	2,225,266	2,233,194	2,164,459	1,966,976
Federal sources	167,032	160,415	162,135	172,980	148,527
Total	\$ 4,467,743	4,937,897	4,366,357	4,102,154	3,799,043
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,071,328	1,837,447	2,336,582	1,750,442	1,657,357
Special instruction	440,577	402,284	125,094	554,573	493,241
Other instruction	449,525	552,042	133,870	332,697	330,712
Support services:					
Student services	139,633	110,857	102,234	107,214	109,806
Instructional staff services	210,391	188,544	161,799	167,843	153,631
Administration services	550,266	566,594	477,684	416,661	391,572
Operation and maintenance of plant services	429,265	430,676	437,452	343,047	324,583
Transportation services	174,284	138,654	193,640	141,667	134,645
Other support services	0	0	0	0	155
Non-instructional programs	272	5,684	0	0	0
Other expenditures:					
Facilities acquisitions	209,308	297,249	94,333	247,886	234,688
Long-term debt:					
Principal	70,233	62,440	60,039	29,148	0
Interest	3,259	5,756	8,157	4,950	0
AEA flow-through	140,473	137,941	134,633	132,567	135,749
Total	\$ 4,888,814	4,736,168	4,265,517	4,228,695	3,966,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Manning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Manning Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manning Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Manning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manning Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Manning Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Manning Community School District's financial statements that is more than inconsequential will not be prevented or detected by Manning Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Manning Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the

internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

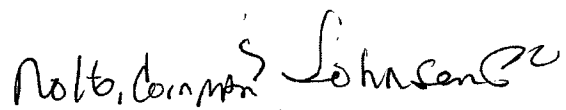
As part of obtaining reasonable assurance about whether Manning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Manning Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Manning Community School District and other parties to whom Manning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Manning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson" followed by a stylized flourish.

NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review procedures and will continue with previous actions taken to utilize other secretarial and administrative staff in the process of cash receipts and deposits. However, in some cases this may be impossible to change, but every attempt to improve procedures will be made.

Conclusion - Response accepted.

- I-B-08 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.

- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Money boxes for activities have been and will continue to be maintained with \$150 in each box. Pre-numbered tickets are used at tournament games. The number of people manning ticket stations has increased to two per site. Money boxes are provided to sellers by a designated individual, usually the high school principal, unless he has designated someone else, who then locks them into a safe in the high school/superintendent’s office or in a locked drawer/cabinet in the elementary office. Accountability is done by two people, office personnel and the Business Manager, prior to taking it to the bank for deposit. A log system for revenue from activity boxes will be developed for increased accountability.

Conclusion - Response accepted.

- I-C-08 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - Copies of all contracts to officials are now being provided to the Business Manager for file. The AD will be advised to have the Board President sign all officials contracts.

Conclusion - Response accepted.

- I-D-08 Payments to Athletic Officials - We noted during our audit of the Special Revenue, Student Activity Fund that the District writes one check for the entire officiating crew rather than checks to each individual official.

Recommendation - The District should review procedures in place for payments made to officials. The District should write checks to the individuals rather than to the crews. Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and athletic officials should be informed that payment will be made in this manner unless a valid contract exists.

Response - This applied to one or two officiating teams. The wording of their contracts stated that the crew would be paid for example \$400, \$80 each for a five man crew. The check would then be made to the officiating crew. We are talking to the AD on how payments to officials should be stated within the contracts.

Conclusion - Response acknowledged. The officials should each receive their own check for duties performed.

- I-E-08 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

We noted during our audit that fundraisers were conducted for the purpose of giving scholarships to students. However, it was noted that when the scholarship was awarded to the student, the check was being written directly to the student. In the future, the money fundraised for scholarships should be recorded in the Private-Purpose Trust Fund. The District should write the check to the trade school/university the student is attending once that student has supplied adequate documentation to the District that the student is attending a trade school/university.

Response - Payments for scholarships are being made to the school where the recipient is attending once student has provided documentation of attending the school. Money fundraised for these scholarships will be transferred to the Private Purpose Trust Fund for disbursements of the scholarships.

Conclusion - Response accepted.

- I-F-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - Continued attendance at EOFY and EOCY training is maintained. Any and all other training, information networking workshops and education are encouraged. Due to minimal staff, increased assistance is also under consideration.

Conclusion - Response accepted.

I-G-08 Travel Reimbursements - We noted during our audit instances where reimbursements to employees for travel expenses were being paid from a credit card statement rather than a detailed receipt for the District's supporting documentation.

Recommendation - The District has a policy in place stating that employees seeking travel reimbursement for expenses other than mileage must turn in a detailed receipt. The District should follow their policy and require receipts before expenses are reimbursed.

Response - Staff are now advised to provide detailed receipts along with credit card statement and requisition request before being approved for reimbursement.

Conclusion - Response accepted.

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - The District had a negative account within the Student Activity Fund totaling \$4,527. The District also had deficit unrestricted net assets in the School Nutrition Fund of \$7,579. The District also had a deficit unreserved fund balance of \$18,509 in the Special Revenue, Physical Plant and Equipment Levy Fund.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - The District will monitor these accounts more closely.

Conclusion - Response accepted.